

Memorandum for: RECORD

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The attached was prepared by

 for his briefing with

Deputy Secretary McNamar, Department of
Treasury on 11 January 1983.

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13 January 1983

MEMORANDUM FOR THE RECORD

SUBJECT: Briefing of Deputy Secretary McNamar,
Department of Treasury

1. On 11 January 1983, I presented Deputy Secretary McNamar with a briefing on the structure and the capabilities of the Agency's Linked Policy Impact Model (LPIM). Mr. McNamar had seen references to the model in the recent DDI publications entitled "The Global Impact of a Possible Oil Price Decline" and "The LDC-OECD Economic Link." He requested a briefing through the office of Doug Mulholland, Special Assistant to the Secretary for National Security.

2. I discussed the structure of the model, presenting him with a written description of the model ("The OER Linked Policy Impact Model"), with a computer printout of the complete model, and with a listing of variables. I also gave him a copy of a draft paper entitled "Effects of the Non-OPEC LDC Financial Dilemma on the OECD." I suggested other ways in which the model might be useful to the analysis which he hopes to accomplish. In particular, we discussed using a CIA baseline estimate of world growth, inflation, and balance of payments as an input to the model, then simulating the model to produce conditional forecasts based on different scenarios devised by the Treasury Department.

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3. Mr. McNamar asked many questions about the model structure, its reliability, and its usefulness. He expressed particular interest in my recent work to append the CIA Mexican model to the LPIM (which focuses on the developed countries). He asked about comparable models within and outside the US government. I mentioned work at the Fed, at OECD, and at the University of Pennsylvania but I indicated that the LPIM was probably better suited for his purposes than any other.

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4. He said he would review my work and get back in touch with me. In the meantime, he requested that I provide him with a set of tables that show the model's output. He also asked me to review a copy of a Treasury analytical piece called "Oil Study." Finally, he asked that I provide him with a copy of the documentation of the OECD econometric model.

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